

HIGHER EDUCATION: THE GIFT THEY'LL NEVER OUTGROW

As teachers, ATRS members are natural proponents of higher education. Yet, every day, families and students are finding out the hard way that while paychecks and wallets may not have expanded, college costs continue to rise. The time to think about saving for college is not when a child or grandchild starts sending out applications — in a perfect world, it begins when the child is born. A good approach is for families is to make saving for higher education part of financial planning.

How can you or a student's family start to save for higher education? One of the most popular methods today is a 529 college savings plan.

529 college savings plans: What's the big deal?

529 college savings plans ("529 plans") were developed to help families save for college. The name "529" comes from the Internal Revenue Code section that specifies the plans' tax advantages.

- Assets in 529 plans grow federal and state tax-deferred. When withdrawals are made to pay for qualified college expenses, earnings are free from federal taxes and, depending on your state taxes. In addition, most states offer tax breaks for contributions into their 529 plan.
- As an account owner, you control when and how the money is used.
- Almost every state has its own 529 plan, but residents are not required to invest in their state's specific program. Arkansas has one of the highest regarded plans.
- It's easy to open an account. With online access, you or a student's family can often sign up for a 529 plan in about 10 minutes.

You can use the assets of a 529 plan account at **any eligible institution of higher education around the country**. Assets in a 529 plan account aren't just for public and private 4-year colleges and universities; they can also be used at eligible trade and technical schools, graduate schools, as well as for qualifying 2-year associate programs - in the U.S. and abroad.

When your student is ready for school, you, as the account owner can withdraw the assets tax-free, for qualified higher education expenses such as tuition, fees, books, supplies, and equipment required for enrollment or attendance, and certain room and board costs.

The GIFT College Investing Plan: Helping Arkansas residents save

The State of Arkansas sponsors the GIFT College Investing Plan, a powerful 529 college savings program that offers the advantages noted above — and even more:

- **State tax deduction: Up to \$10,000 for married couples, filing jointly (\$5,000 if single) of contributions to the GIFT Plan can be deducted from your Arkansas adjusted gross income.** Contributions to the Plan in a tax year are deductible from Arkansas state income, subject to recapture in subsequent years in which a non-qualified withdrawal or a rollover out to another state's 529 plan is made.
- **Investment options from The Vanguard Group, Inc:** You can select an age-based portfolio that automatically grows more conservative as your student gets close to college-age. Or, if you like to develop a strategy on your own, you can choose from among six custom portfolios of different asset classes. A plan of periodic investment does not assure a profit or protect against a loss in declining markets.
- **Low minimum investment:** You can **enroll with as little as \$10 per month** (\$30 per quarter) with an automatic investment plan; a one-time contribution of \$25; or a payroll direct deposit of \$5 per pay period.

You don't have to go it alone

One of the most important aspects about saving for college with the GIFT Plan is that there are programs so that you don't have to do it alone.

The Aspiring Scholars Matching Grant Program is designed to bring the dream of higher education closer to reality for parents and other account plan owners. The program, run by the Arkansas Section 529 Plan Review Committee, provides matching grants of up to \$500 per year to eligible Arkansas students, based on a household's income levels. To date, hundreds of families have received matching grants.

Ugift® – Give College Savings is an online program available to every GIFT Plan account owner. Using this service, you can send out an **email or paper invitation to family and friends before a holiday or event** (such as Christmas, birthdays, graduation and other milestones) letting them know that in place of traditional gift, you'd appreciate a gift contribution to your GIFT Plan account. The form is bar coded to allow easy gifting by family and friends. What better gift is there than helping a student afford a college education? Think of how a child with every birthday being a resource builder to make college affordable.

The GIFT Plan is, at its most basic, about helping the students in our lives. As educators, ATRS members can appreciate what higher education has done for them and what it can do for the next generation. We need to help our students and their families by suggesting that they consider a 529 plan like the GIFT Plan. Reassure them that no matter how young or old their student is, a 529 plan is one of the easiest ways to save, with tax advantages that can potentially make their money go further and programs and gifting options to help them save even more.

And while we're at it, ATRS members shouldn't overlook our own ability to use this resource to provide our own families — children, grandchildren, nieces, and nephews — with college savings, so they can enjoy the lifelong opportunities they deserve. The future isn't that far away.

For more information on the GIFT Plan, its special programs and benefits, and how to enroll, visit www.thegiftplan.com/education. Please take the time to learn more about the Arkansas 529 plan and how it can be used to build brighter futures for our children.

For more information about The GIFT College Investing Plan call 1-800-587-7301 or visit www.thegiftplan.com to obtain a Program Description and Participation Agreement, which includes investment objectives, risks, charges, expenses and other information; read and consider it carefully before making an investment or sending money.

The GIFT College Investing Plan is a college tuition savings program sponsored by the State of Arkansas. Upromise Investments, Inc., which serves as Program Manager, has overall responsibility for the day-to-day operations of the Plan, including effecting transactions, and marketing and distributing the Plan. The Vanguard Group, Inc., serves as Investment Manager for the Plan. The Plan's portfolios, although they invest in Vanguard® mutual funds, are not mutual funds. Units of the Portfolios are municipal securities and the value of units will vary with market conditions. Investment returns are not guaranteed, and you could lose money by investing in the GIFT Plan as is true with most investments.